

Chemicals used in a water injection system do not qualify for the oil field exploration, drilling, and production equipment exemption. See 86 Ill. Adm. Code 130.345. (This is a GIL).

July 29, 1999

Dear Ms. XXXX:

This letter is in response to your letter dated June 30, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We are writing to obtain verification of the proper treatment of collecting sales tax in an oil and gas chemical company matter.

Are chemicals sold for use in a water injection system exempt from sales tax? We normally treat oilfield equipment sold as exempt from sales tax but charge tax on all oilfield chemicals sold. Please advise.

Enclosed is a copy of 86 Ill. Adm. Code 130.345 concerning the exemption for Oil Field Exploration, Drilling and Production Equipment. Equipment that is used as part of an injection well into which fluids are injected into the ground for the primary purpose of enhanced oil recovery, generally qualify for the oil field exploration, drilling, and production equipment exemption. However, chemicals used in a water injection system are not considered equipment and do not qualify for the oil field exploration, drilling, and production equipment exemption.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Terry D. Charlton
Associate Counsel

TDC:msk
Enc.